

PROPOSED FY 2007 ANNUAL AUDIT PLAN

NOVEMBER 2006




**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

November 28, 2006

TO: Audit, Finance and Legislative Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Craig Lowe, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Proposed FY 2007 Annual Audit Plan

Recommendation

The Audit, Finance and Legislative Committee submit the City Auditor's Proposed FY 2007 Annual Audit Plan to the City Commission for approval by resolution.

Explanation

Resolution 970187, City Auditor Internal Responsibilities and Administrative Procedures, Section 4 (b) requires the City Auditor to submit an Annual Audit Plan to the City Commission for approval. The process of preparing the Annual Audit Plan includes obtaining input from City Commissioners and Charter Officers as well as evaluating information gained from previous audits and studies performed by the City Auditor.

Each of the requested projects is weighed against other planned or required projects resulting in Exhibit A, which represents a compilation of proposed audits for the City Auditor's work plan for FY 2007. Audits are classified into the following categories:

- Revenue/Cost Containment Audits
- Operational Audits
- Compliance Audits
- Follow-up Audits
- Other Projects

A description of all projects is also included for review.

RESOLUTION NO. _____

PASSED December 11, 2006

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF GAINESVILLE, FLORIDA RELATING TO APPROVING AND ADOPTING THE ANNUAL AUDIT PLAN FOR THE OFFICE OF THE CITY AUDITOR FOR THE PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007

WHEREAS, formal responsibilities and administrative procedures for the Office of the City Auditor were established by City Commission Resolution 970187 on August 11, 1997; and

WHEREAS, such procedures require the development of an annual audit plan in order to ensure adequate audit coverage during the period;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GAINESVILLE, FLORIDA:

Section 1. That the City Auditor is authorized to carry out the audits and other projects as described in the ANNUAL AUDIT PLAN attached hereto as EXHIBIT A.

Section 2. This Resolution shall take effect immediately from and after its adoption in accordance with the provisions of the Charter of the City of Gainesville, and it is accordingly so resolved.

PASSED AND ADOPTED this 11th day of December 2006

Peegen Hanrahan, Mayor

Approved as to Form and Legality

Marion J. Radson, City Attorney

ATTEST:

Kurt M. Lannon, Clerk of the Commission

EXHIBIT A
CITY OF GAINESVILLE
OFFICE OF THE CITY AUDITOR
FY 2007 ANNUAL AUDIT PLAN

Revenue/Cost Containment Audits

Budgeted Revenue Estimates
Fleet Fuel Expenses and Charges to Departments
Gainesville Fire Rescue Department Overtime (in progress)
Gainesville Police Department Overtime (in progress)
GRU Fuel/Coal Contracts
Health Insurance Costs
Property Tax Exemptions
Recreation Department Miscellaneous Revenues (in progress)

Operational Audits

GRU Investments
Human Relations and Equal Opportunity Programs (Affirmative Action Plan)
Payroll System
Performance Measures Validation and Comparison to Peer Cities

- Code Enforcement
- Housing
- Human Resources

Compliance Audits

General Government Cash Receipts (in progress)
Payroll Payoffs (in progress)

Follow-up Audits

ADA Paratransit Service Rates
Arthur J. Gallagher & Company
Employee Compensation
Equal Opportunity Program
General Government Cellular Telephones
General Government Purchasing Process
General Government Small Local Business Development Department
GRU Procurement Card Program
GRU Purchasing Bid Process
GRU Revenues
Housing Division
Internet Access
Living Wage
Neighborhood Housing and Development Corp. (NHDC)
Pay Study
Parks and Recreation Performance Measures
Travel Expenses
UGCDC Dissolution

Other Projects

City Commission and Management Referrals/Special Projects

FY 2007 ANNUAL AUDIT PLAN
DESCRIPTION OF PROJECTS

REVENUE/COST CONTAINMENT AUDITS

Budgeted Revenue Estimates

City Commission Resolution 970187, which governs the internal responsibilities and administrative practices of the Office of the City Auditor, requires an annual review of the City Manager's General Fund revenue estimates included in the budget. The City Auditor advises the City Commission on the reasonableness of management's estimates.

Fleet Fuel Expenses and Charges to Departments

The General Services Fleet Management Division is responsible for procuring and maintaining all General Government and GRU vehicles and equipment, excluding RTS which has its own facility. Fleet Management provides services for approximately 1,450 City vehicles and charges the cost of fuel and maintenance to other City divisions. The main objective of this review will be to evaluate the system of management control over fuel expenses and the allocation of charges to user departments.

Gainesville Fire Rescue Department Overtime

This review focuses on evaluating the system of management control currently in effect over the assignment and utilization of overtime in the Gainesville Fire Rescue Department. This review was initiated in FY 2006.

Gainesville Police Department Overtime

This review focuses on evaluating the system of management control currently in effect over the assignment of billable police security overtime in the Gainesville Police Department. This review was requested by the City Manager and initiated in FY 2006.

GRU Fuel/Coal Contracts

In FY 2006, GRU was billed approximately \$44 million for coal and other fuels under current vendor contracts. The objectives of this audit will be to evaluate the adequacy of management controls over these expenditures and test vendor billings for compliance with contract provisions, rules and regulations.

Health Insurance Costs

The Employees Health and Accident Benefits Fund accounts for costs associated with administering a self-insurance plan for employees' health and accident claims. The plan is externally administered for a contracted amount based on the volume of claims. Medical claims and benefits paid during FY 2006 exceeded \$11 million. The objective of this review will include evaluating the system of management control over fund administration and assessing third party administrator claims processing and payment systems to determine if claims are paid accurately, timely and in accordance with plan provisions.

Property Tax Exemptions

The FY 2007 budget projects collections of real estate property taxes of over \$23 million. The objective of this review is to evaluate property tax exemptions granted within the City of Gainesville to ensure the City's property tax revenues are optimized.

Recreation Department Miscellaneous Revenues

The main objective of this review is to evaluate the system of management control over certain miscellaneous revenues related to recreation programs, such as the sports program concessions. This review was requested by the City Manager and initiated in FY 2006.

OPERATIONAL AUDITS

GRU Investments

The GRU Finance Department oversees the investment process for cash balances of GRU's Capital Projects Funds, Debt Service Funds, Proprietary Funds and some Fiduciary Funds. This project will include reviewing laws, policies, procedures and records necessary to determine that GRU is properly administering investment programs. Additionally, we will review the security over banking transactions associated with these funds.

Human Relations and Equal Opportunity Programs (Affirmative Action Plan)

The City of Gainesville's Charter requires the City Auditor to periodically complete audits of the City's various human relations and equal opportunity ordinances, policies and programs. Previous reviews have included the City's MBE/SBE Programs and Equal Opportunity Department internal investigations process. For FY 2007, the Affirmative Action program and reporting process will be reviewed.

Payroll System

The purpose of this review will be to evaluate the system of management control over the City's payroll system. We will review payroll and personnel policies and procedures and determine that payroll transactions are properly authorized, calculated and documented in accordance with management direction and applicable laws, rules and regulations.

Performance Measures Validation and Comparison to Peer Cities

The City of Gainesville participates in the ICMA Center for Performance Measurement (CPM) program that provides comparative data on selected aspects of service performance for cities and counties. The CPM helps cities and counties assess the quality and efficiency of service delivery to citizens through the collection, analysis and application of standardized performance data. However, the data must be accurate, fair and reliable for the program to be meaningful.

The objectives of this review will be to evaluate the reliability and validity of performance measure data submitted by management for publication in the Annual ICMA Comparative Performance Measurement Report and to assess the comparability of these measures to peer cities. This project focuses on several departments each year. For FY 2007, key performance measures for Code Enforcement, Housing and Human Resources will be reviewed.

COMPLIANCE AUDITS

General Government Cash Receipts

The objective of this review is to evaluate the system of management control in effect over cash receipting processes throughout General Government. This review was initiated in FY 2006.

Payroll Payoffs

This project is designed to determine that payroll checks are prepared only for valid employees of the City of Gainesville. This review was initiated in FY 2006 and is currently focused on electronically verifying City employee and retiree social security numbers with the U. S. Social Security Administration.

FOLLOW-UP AUDITS

Follow-up audits are required by City Commission Resolution 970187 and conducted to determine the status of management's actions on specific City Auditor recommendations previously approved by the City Commission. During FY 2007, managers from departments with outstanding audit recommendations will provide information to the City Auditor's Office, which will be reviewed to evaluate whether recommendations have been adequately implemented. The listing of completed audits with open recommendations is shown on page one of this Exhibit.

OTHER PROJECTS

City Commission and Management Referrals/Special Projects

The City Auditor performs special projects, reviews or audits referred by the City Commission or management from time to time. The exact nature of these assignments cannot be determined in advance.